

The Return of Pre-Pandemic U.S. Airline Demand

INTRODUCTION

The airline industry is one of the sectors of the economy that **most suffered** from the impacts of the COVID-19 pandemic.

This research study aims to investigate the **judgmental forecasts** of some of the major stakeholders in the aviation industry to suggest a mean **period of time** that could be expected for airline recovery and commercial travel demand in the United States to return to its pre-pandemic volume.

ABSTRACT

The industry has shown signs of recovery, and passenger demand is expected to return to pre-Covid levels. The purpose of this research study is twofold:

1. To identify the key factors that are affecting the recovery process of airline demand; and
2. To identify, through a systematic review of the outlook of some major stakeholders and agencies within the aviation industry, as to when they perceive commercial travel will return to pre-pandemic volume, as well as relating daily traveler number in U.S. airports with daily U.S. Covid-19 cases in 2021.

TAKEAWAY FROM STAKEHOLDERS

DELTA "...preparing to build back to 2019 levels of flying by **summer 2023**..."

UNITED "...the purchase [of 737 MAX jets] helps position us to meet the demand we expect to see in **2022 and 2023**..."

American Airlines "...deferral of 18 Boeing 737 MAX aircraft will not arrive with AA until **2023 and 2024**..."

Southwest "...in a normal recession, business travel takes about **five years** to fully recover..." (*less time for leisure travel*)

jetBlue "...we see our leisure business largely recovered by the end of **next year (2022)**..."

FRONTIER AIRLINES "... demand is recovering, and in order to exploit this opportunity, we need to be at full potential in **2021 Q4**..."

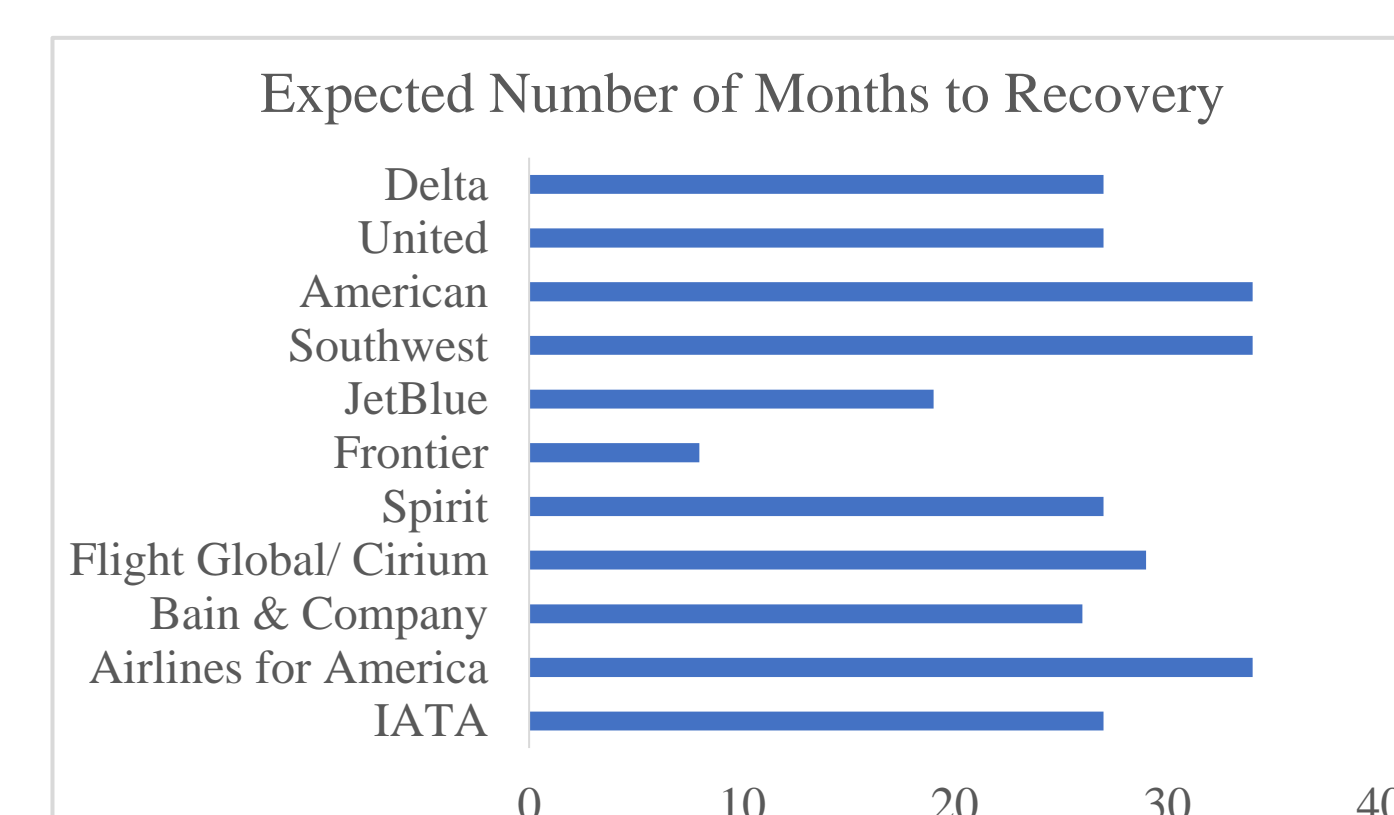
spirit "...new Airbus A320neo-family jets expected to receive this year...will now take those jets in **2023 and 2024**."

CIRIUM More Optimistic Scenario (North America): **September 2023**
Less Optimistic Scenario (North America): **December 2024**

BAIN & COMPANY More Optimistic Scenario (Global): **April 2023**
Less Optimistic Scenario (Global): **Spring 2024**

Airlines for America "...you can plan for this virus, but you cannot forecast...expected a return to 2019 levels not until **2023 or 2024**..."

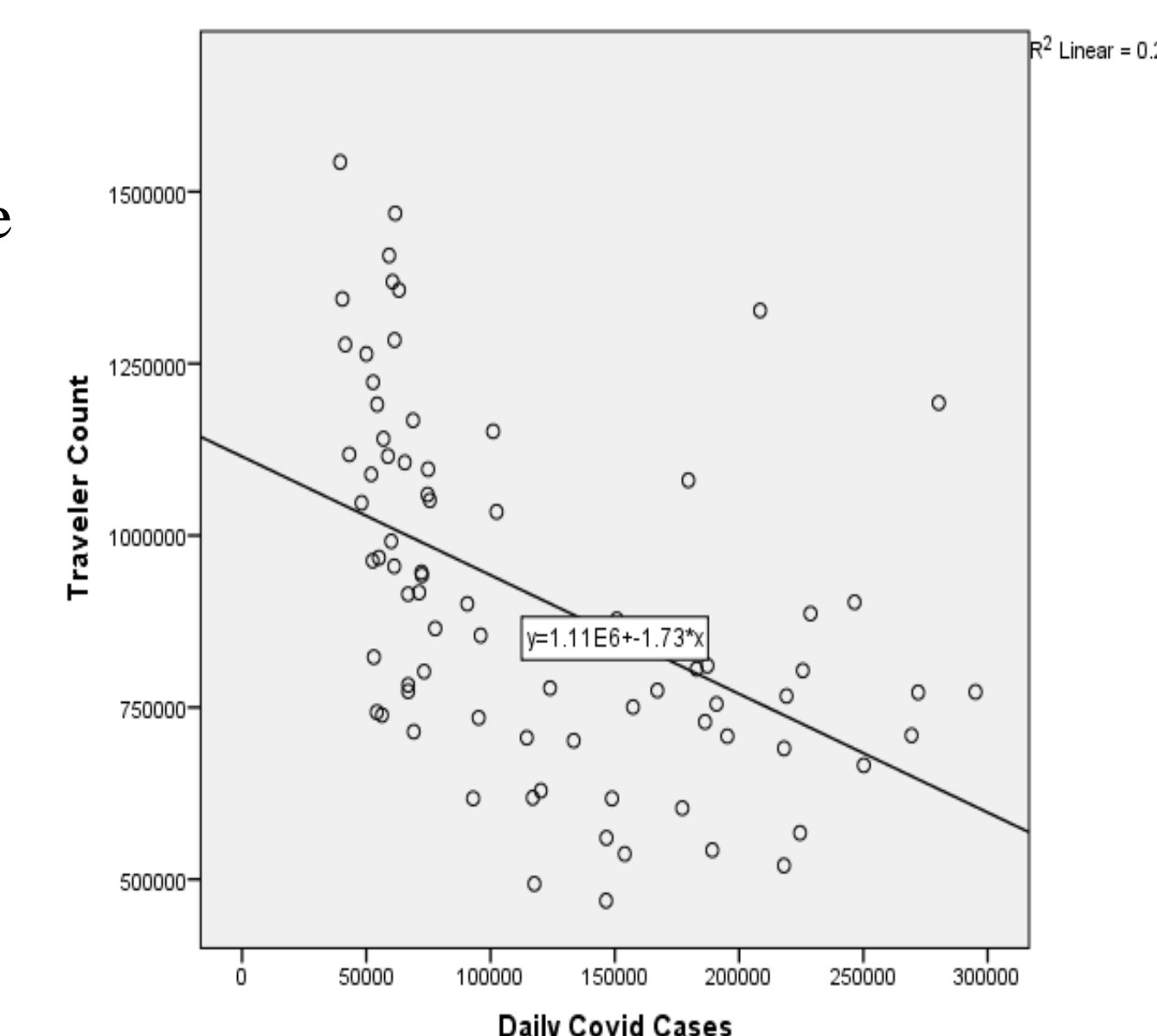
IATA "...recovery to pre-COVID-19 levels, however, will also slide by a year from **2022 to 2023**..."



RESULTS

The mean amount of time expected for the airline industry to return its passenger numbers to pre-covid demand is at least **26.5 months, as of March** 2021, based on the stakeholders' assessments.

Since January of 2021, a decline in daily cases is **negatively related** to the amount of commercial airline travelers. Passenger numbers are higher with lower daily infection cases, **pointing to a hopeful recovery period** over the next couple months due to the steadily decreasing Covid-19 cases. At a .05 alpha level, there was a significant negative correlation, $r(78) = -.480$, $p < .001$, $r^2 = .2304$ (medium effect).



KEY ISSUES

The Drop

September 11th Attacks: Impact on the airline industry demand

- August of 2001: **70.1** million U.S. passengers
- October of 2001: **47.7** million U.S. passengers, **almost 40% drop**
Time for Recovery: 3 years

Covid-19 Pandemic: Impact on the airline industry demand

- February of 2020: **78.3** million U.S. passengers
- April of 2020: **3** million U.S. passengers, **almost 96% drop**
Estimated Time for Recovery: ?

Demand Suppressors

International Travel Restrictions

- Foreigners from 32 countries still banned from direct entry into U.S.

Quarantine Requirements

- States still requiring visitors to quarantine for long periods of time

Government (Policy) Uncertainty

- No position from government on when borders expected to reopen

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